

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 851 - SB 885**

February 16, 2009

**SUMMARY OF BILL:** Increases the commission paid to lottery retailers from 6.5 percent of gross sales to 9.0 percent of gross sales.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – The decrease of net lottery proceeds earmarked for scholarships and grants is estimated to be \$27,485,900 per year. In addition, an increase in retailer commissions may increase lottery revenue if higher commissions induce more retailers to participate, if greater retailer participation leads to greater availability of lottery tickets, and if greater availability of lottery tickets leads to more sales. An increase in lottery sales may cause a shift of some expenditures from sales-taxable items to lottery tickets. Multiple economic factors affect decisions made by persons purchasing lottery tickets. Due to the number of these factors, the complexity of their interaction, and the indirect nature of their impact, it is not possible to quantify any increase in lottery revenue or decrease in sales tax revenue that would be attributable to increasing retailer commissions.**

Assumptions:

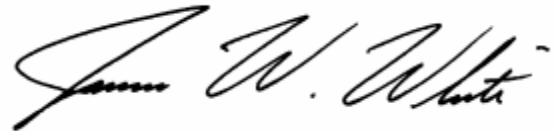
- Lottery ticket sales are a function of prize payout exclusively.
- Lottery ticket sales are not influenced by retailer commissions.
- The mid-point of the range adopted by the State Funding Board for net lottery proceeds for FY09-10 is \$273,100,000.
- Net lottery proceeds represent approximately 27 percent of total net ticket sales.
- Net ticket sales for FY09-10 is estimated to be \$1,011,481,500 ( $\$273,100,000 / 27\% = \$1,011,481,481$ ).
- Gross ticket sales are the sum of net ticket sales plus tickets which are awarded as prizes.

**HB 851 - SB 885**

- Net ticket sales represent approximately 92 percent of gross ticket sales.
- Gross ticket sales for FY09-10 are estimated to be approximately \$1,099,436,400 ( $\$1,011,481,500 / 92\% = \$1,099,436,413$ ).
- Gross ticket sales remain constant in years subsequent to FY09-10.
- Retailer commissions under current law are estimated to be \$71,463,400 per year ( $\$1,099,436,400 \times 6.5\% = \$71,463,366$ ).
- Retailer commissions as proposed in this bill are estimated to be \$98,949,300 per year ( $\$1,099,436,400 \times 9.0\% = \$98,949,276$ ).
- An increase of retailer commissions results in higher TELC expenditures and a proportional decrease to net lottery proceeds.
- The decrease of net lottery proceeds is estimated to be \$27,485,900 per year ( $\$98,949,300 - \$71,463,400 = \$27,485,900$ ).

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc